Unlocking government's technology future

Five keys to public sector digital transformation success

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Foreword

Do your digital government initiatives deliver the anticipated benefits? A global survey among technology executives in the public sector suggests that there is considerable advancement in the digital sphere. However, our interactions with government officials reveal that the intended results are still not being fully realized. Moreover, the pace of progress does not meet their expectations.

For government executives, technology leaders or mission leaders, this KPMG International report offers in-depth understanding and practical suggestions to enhance the value and speed of your digital transformation journey. Drawing from the *KPMG GLOBAL TECH REPORT 2024*, which includes a proprietary survey of almost 120 public sector and technology leaders worldwide, the report outlines potential steps that government officials can take to advance their digital transformation efforts.

At KPMG, we firmly believe that a modernized government is a key precondition to a modern economy and future prosperity. Drawing from our extensive global experience
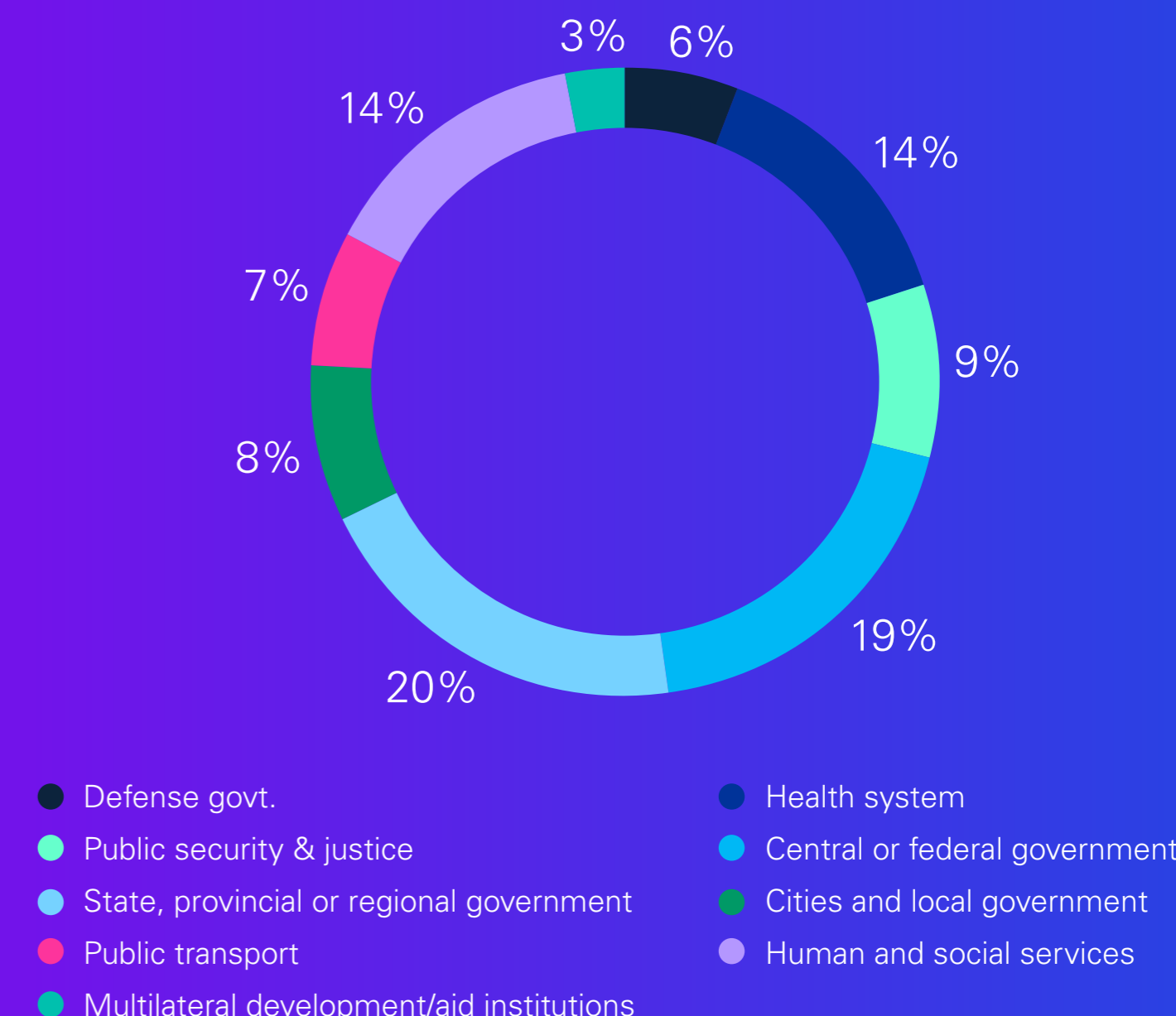
with governmental partnerships, we understand the blueprint necessary to fulfill this promise of progress.

The leadership team of KPMG's Government & Public Sector practice trusts that you'll find fresh perspectives, innovative thoughts and motivation within this publication to advance your organization and its ecosystem. For further information on the issues mentioned in this report or to discuss your specific modernization challenges and prospects, we invite you to reach out to your local KPMG member firm.

About the *KPMG GLOBAL TECH REPORT 2024*

The data for this report was drawn from a survey prepared by KPMG International for the *KPMG GLOBAL TECH REPORT 2024*. A total of 118 government sector respondents participated in the survey, with 60 percent representing governments in Europe, Middle East and Africa, 21 percent from Asia-Pacific and 19 percent from the Americas. Three quarters of respondents represent organizations with more than 1,000 employees and 50 percent hold C-Suite roles (CIOs, CTOs, CISOs, Chief Digital Officers, Chief Data Officers and Chief AI Officers). The remainder hold SVP or senior technology roles in their organizations.

Respondent functional areas

- Defense govt. — 6%
- Health system — 14%
- Public security & justice — 3%
- Central or federal government — 9%
- State, provincial or regional government — 20%
- Cities and local government — 8%
- Public transport — 7%
- Human and social services — 14%
- Multilateral development/aid institutions — 19%

About the authors

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Brenda serves as the Global Head of the Government Sector at KPMG International, bringing over three decades of expertise in driving organizational change and spearheading comprehensive transformations for government agencies. Her background includes over 25 years of Defense and National Security consulting experience. Brenda plays an active role in the defense sector community, contributing to organizations such as the American Society of Military Comptrollers, the Association of Government Accountants and Women in Defense.

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Introduction

Governments and public sector organizations are making good progress on their digital transformation journeys. Now they need to pick up the pace and start delivering the value that citizens expect. This report explains how to make that happen.

This report is based on data from the *KPMG GLOBAL TECH REPORT 2024*, which includes the results of a survey of 118 senior government technology executives and decision-makers around the world. It shows that public sector organizations are building — and maintaining — change momentum, particularly in key capabilities such as cloud enablement, cyber security and data and analytics.

The KPMG global tech report also shows signs of increasing sophistication within public sector technology programs. As this paper will show, public sector organizations are experimenting with AI and emerging technologies. They are linking tech investments to customer expectations and demands. They are more likely than their private sector peers to say they are confident in their ability to keep up with the pace of change.

Nevertheless, the rate of progress is not consistent across all public sector entities. According to the *KPMG GLOBAL TECH REPORT 2024*, there's a disparity where some government bodies are making quick advancements, whereas others find it challenging to reach their goals. Senior leaders in government express concerns that their advancement is beginning to level off. They are actively seeking innovative solutions to take them to the next stage of their digital transformation.

Key findings from the *KPMG GLOBAL TECH REPORT 2024* reveal:

01

Technologies and methods are being modernized.
85 percent of government and public sector respondents say they are prioritizing embracing emerging technologies over maintaining legacy ones.

02

Cloud-enablement is delivering benefits.
Government respondents rank improved efficiency as the top benefit of Everything-as-a-Service (XaaS) adoption, followed by better data management and improved security and compliance.

03

AI is influencing internal and external experiences.
45 percent of government respondents say they are experimenting with AI in controlled groups, and many expect to democratize their approach as they gain experience.

04

Citizens are playing a greater role in defining value.
74 percent say that customer feedback influences their investment decisions and 82 percent are confident using customer-centric metrics to measure the value of their technologies.

05

Talent shortages and capability restrictions are creating bottlenecks. Two-thirds of government executives say they have great ideas on digital transformation but lack the talent they need to bring their plans to life.

In the following sections, we dig into these findings and uncover key success factors separating the leaders from the laggards. Drawing on findings from KPMG's latest global engagements, this report provides the public sector with actionable intelligence and tangible steps to expedite and sustain progress in their digital transformation endeavors.

Ultimately, each government will need to define its own journey to modernization, based on their own unique objectives, capabilities and citizen expectations. As they do, these five keys to public sector digital transformation will be critical.

1

Modernized methods

5 action items →

01 Set accountability appropriately

02 Partner for capabilities

03 Transform the transformation team

04 Change the culture

05 Update the operating model

Unlocking government's technology future

According to data from the *KPMG GLOBAL TECH REPORT 2024*, government and public sector organizations are making good progress on their digital transformation journeys.

Government tech leaders report strong progress across key modernization technology capabilities. In fact, in our survey, government respondents were more likely than their private sector peers to report progress on their XaaS, cyber security, Web3 and data and analytics strategies.

At the same time, 85 percent of government and public sector respondents say they are prioritizing embracing emerging technologies over maintaining legacy ones. And just 45 percent say they are struggling to keep up with the pace of change, versus 54 percent of private sector respondents.

Clearly, many government leaders believe they are gaining momentum in their efforts to modernize their organizations. And our KPMG global tech report data shows that public sector executives are very positive about the value of their investments into modern methods of transformation, with 84 percent saying that modern delivery methods had already created value for their organization, and 41 percent saying they had seen productivity improvements of more than 10 percent.

But are governments moving fast enough or getting the value they should from their transformation efforts? According to a recent Forrester Opportunity Snapshot commissioned by KPMG LLP in February 2024, just 17 percent of UK public sector leaders say their most recent digital transformation efforts have been completely successful.[1]

> " Modernization is an enabler of transformation. It shouldn't be a standalone outcome. Whether as a large program of work or as a micro transformation, it should be providing a platform or a piece of the jigsaw puzzle in a modular domain so that it can be added to and continually enhanced. That's how you meet and maintain the expectations of both digital government and citizens. "
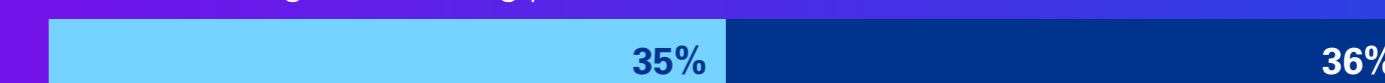
Dean Grandy
Global Digital Government Leader and National Lead Technology Partner, Infrastructure, Government and Healthcare
KPMG in Australia

How would you describe your organization's position today in each of the following areas? Those answering 'We are proactive in progressing against our strategy and are continually evolving':

Government progress is in line with the cross-sector average

Area	Average across all sectors	Government
XaaS technologies (including public cloud or multi-cloud)	35%	36%
Cybersecurity	30%	35%
Web3 (including blockchain and tokenization)	25%	30%
Data and analytics	28%	29%
AI and automation (including Generative AI)	31%	28%
Edge computing	25%	27%
Modern delivery (including low code/no code)	26%	26%
VR/AR/XR (including Metaverse) and spatial computing	24%	23%
Quantum computing	22%	19%
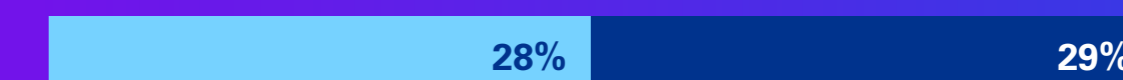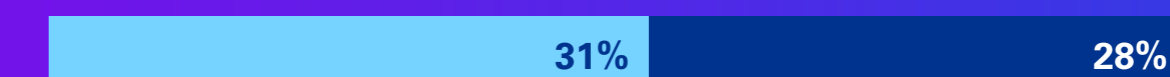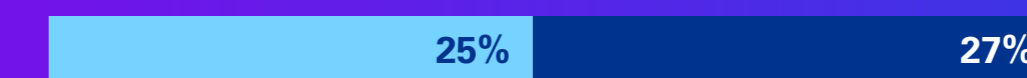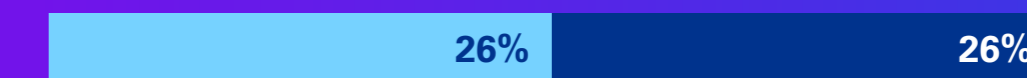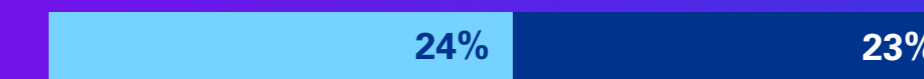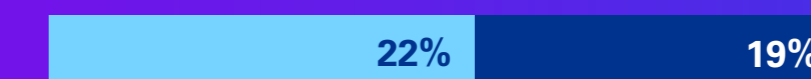
■ Average across all sectors   ■ Government

Source: KPMG global tech report 2024

Unlocking government's technology future

Why? According to the same survey, the top challenge preventing success is a lack of technology strategy. Respondents also noted a gap in technology-specific skills or knowledge. They pointed to a lack of organizational agility and a predominance of organizational silos and conflicting priorities.

So, what could government organizations and agencies be doing to update their modernization methods?

Embed accountability and depoliticize the program. Many of the leading governments we work with are aligning their best talent with the proper skills and leadership roles and empowering them with the right accountability and control to drive execution across the organization. At the same time, they are finding ways to decouple transformation lifecycles from political cycles — in some cases packaging initiatives up into modular sections that can be achieved within discreet timescales; in other cases, tapping into outsiders and technocrats to lead the initiatives, ringfenced from political sway.

Partner with private sector organizations to accelerate delivery. In our *KPMG GLOBAL TECH REPORT 2024*, government respondents say their top tactic to fast-track capability is to lean on external expertise. Governments could therefore be focusing on enhancing their adaptive partnering, procurement and capability prioritization — likely leveraging open-source systems and concepts such as Digital Public Goods to avoid vendor lock-in. Given the velocity of emerging technologies and shifting expectations, the ability to partner will be key to public sector modernization.

Create more adaptable, multidisciplinary transformation teams. With a focus on enabling sustainable change, public sector organizations could be building implementation and change teams that combine deep experience and technical expertise with implementation and strategic capabilities to help drive and sustain change programs. Teams and capability mixes should be designed to leverage outside talent while ensuring leading practices are shared across government. They should be multidisciplinary, approaching transformation as a holistic change program that includes more than just technology and systems.

Encourage a culture of continuous improvement and change. Culture shapes behavior. It supports delivery on the public sector purpose and outcomes. And — when done well — improves stakeholder engagement and citizen outcomes. As such, governments may want to consider placing particular focus on ensuring they have the right culture to drive and sustain change. The focus should be on encouraging people to become more adaptable and iterative in the way they work and develop, more curious, mindful, willing and engaged in their activities, as well as more insight-driven, evidence-based and citizen-centric in their thinking.

Rethink transformation operating models. As the complexity and impact of transformation efforts increase, we have seen many government departments create new organizations with responsibility for guiding operational modernization. At the same time, many governments are also considering how to embed cyber security by design, as well as agile approaches, underline design thinking, user-centered design and AI into the organization by bringing together the right mix of outside skills, experience and out-of-the-box functionality to drive their transformation program at pace.

> ❝ In Singapore, the Smart Nation Office serves as the coordinating body for smart nation initiatives — its job was to remove any barriers or challenges getting in the way of transformation. I think a lot of the success Singapore has enjoyed in its modernization efforts have been thanks to the integrating power of the Smart Nation Office. ❞
>
> **Deven Chhaya**
> Partner, Infrastructure Advisory
> KPMG in Singapore

Client story

Modernizing local government

Cumberland, Westmoreland and Furness Councils

KPMG in the UK recently helped take seven local government bodies, which were structured in a two-tiered system, and transformed them into two brand new unitary local authorities, along with a central fire and rescue authority, capable of providing modern day governance. We did it all in about a year.

The complexity of the challenge was massive. The existing government bodies provided more than 700 different services to nearly 500,000 people across England's second largest county area. It was a hugely complex program with an immoveable 'Day 1' deadline. There was no room for error and no leeway for service interruption.

Working as a blended team with the client's dedicated local government reorganization resources, we identified 212 requirements that needed to be in place by Day 1. We focused on seven key areas — people, places, corporate systems, ICT, customer, finance and fire. We identified nearly 1,300 Level 1, 2 and 3 milestones we would need to monitor and measure throughout the program.

Ultimately, we helped Cumbria Council disaggregate and rebuild more than 700 different services — some of them statutory or critical — within two separate entities. In doing so, we helped the two new unitary governments, and their chief executives stand up modern governance bodies with integrated services in a way that is not only legal and safe, but also more efficient and effective for the councils and the people they serve.

2

Cloud-enabled

Unlocking government's technology future

5 action items →

01 Prioritize integration

02 Understand the risks

03 Partner for capabilities

04 Focus on the data

05 Rethink the workflows

The public sector understands the value and importance of cloud in driving their service and technology modernization objectives. But are they reaping that value?

According to the *KPMG GLOBAL TECH REPORT 2024*, government leaders see cloud and XaaS (everything as a service) adoption as key to enhancing efficiency and improving data management. Interestingly, our survey also reveals that government recognizes the enhanced security and compliance benefits that can be gained through cloud enablement. They also note cloud's critical role in delivering on their ESG ambitions (something 74 percent of government tech leaders in our global tech report say they hope to achieve with their technology investments).

The adoption of cloud is fundamental to government modernization. Our *KPMG GLOBAL TECH REPORT 2024* shows that 82 percent of government executives see XaaS as the leading technology to drive their digital transformations. This data is backed up by the Forrester Opportunity Snapshot, where 82 percent of government executives say their top priority for their digital transformation journey is to shift applications to the cloud.[2] And IDC analysis suggests that government spend on cloud and software rose by around 14.5 percent between 2022 and 2023.[3]

The leading government agencies, however, are not measuring their success based on the amount of workload shifted to cloud but rather on the functionality and value they can unlock by being cloud-enabled. Our KPMG global tech report data finds they are most often assessing the value of their tech based on innovation metrics, followed by financial measures and risk metrics. And they are redesigning their processes, updating their capabilities and rethinking their workflows to maximize the value of cloud. Simply put, they are thinking 'cloud native' rather than just 'cloud first'.

What can government leaders and technology executives do to help accelerate cloud adoption and value creation?

Take a more integrated approach. For the foreseeable future, there are several government core systems that will remain on-prem and data sets that will remain siloed within departmental systems. Government organizations should therefore embrace more integrated approaches to cloud enablement. In part, this is about creating more dynamic environments that provide cloud connectivity and functionality benefits overtop of existing legacy systems and solutions. It also means effectively integrating across government systems and solutions to maximize the value of cloud for government and for constituents.

“

Many governments have made satisfactory progress lifting, shifting and containerizing their old on-prem assets on the cloud. Now they need to ask themselves how they can unlock the full value of what cloud can offer to drive their transformation and create value for constituents. ”

Laura Webb
Partner, Public Sector Technology Transformation Lead
KPMG in the UK

What are you getting from your cloud?

Category	Value
Improved efficiency	38%
Better data management and integration	35%
Improved security and compliance	34%
Reduction of carbon footprint/improved	33%
Expanded scale	31%
Reduction of technology debt	30%
Accelerated adoption of advanced technology	29%
Lower total cost of ownership	22%

[2] *Accelerate public sector digital transformation*, Forrester Opportunity Snapshot commissioned by KPMG LLP, February 2024
[3] *IDC Worldwide Software and Public Cloud Services Spending Guide*, IDC, 3 June 2024

Put cyber and regulation up front. In the *KPMG GLOBAL TECH REPORT 2024*, 59 percent of government leaders admitted that cyber security is treated like a box-ticking exercise versus being embedded into their culture and processes. Yet data from SITSI, a European market research platform, indicates that cyber security (application security in particular) is a very important topic for government leaders.[4] Government organizations should consider putting privacy and regulatory considerations up front in the planning process. That would allow them to make risk-informed decisions with a deep understanding of what levels of security are needed, what data is required and where it should reside early in the process.

Partner with hyperscalers, CSPs and sovereign data centers. As evidenced by the build out of sovereign cloud infrastructure and sovereign data centers over the past few years, the big hyperscalers and Cloud Service Providers are keen to capture government workloads. Government organizations should be assessing their data center facilities, infrastructure, data storage and data transmission needs and then forming deeper partnerships with these players — collaborating on innovation, solutions and even service provision to create better value and experiences for constituents by tapping into world-leading capabilities and functionality.

Focus on the data inputs and outputs. Data must be broken out of silos so that it can be more readily shared, managed and standardized (less than half the public sector respondents in the KPMG global tech survey thought they were mature in this area). Governments should consider leveraging cloud analytics capabilities and encouraging their people to become much more data-driven in their decision-making by driving adoption at the front line while empowering decision-makers with deep insight into the cloud requirements of the organization in the future.

Rethink workflows and capabilities. The shift to XaaS and cloud enablement will disrupt existing processes, workflows and experiences. Rather than simply digitalizing existing workflows, governments will need to think about how they enable their people by redesigning processes from the ground up — leveraging the capabilities and functionality of cloud to drive significant improvements in efficiency, productivity and employee engagement. They may also want to consider updating their workforce models to ensure they are operating optimally to meet future expectations.

Saudi Arabia's smart government strategy

As part of the Kingdom of Saudi Arabia's Vision 2030 strategy, the Smart Government Strategy sets an ambitious goal that, by 2024, the Government within the Kingdom will be Agile, Capable and Innovative resulting in new seamless Smart Government experiences for the beneficiaries, centered around their needs.

> Sovereign cloud capabilities should serve as a giant catalyst to public sector cloud adoption. At the same time, demand for new capabilities — technologies such as Generative AI — and improved citizen and employee experiences is ramping up demand for cloud enablement.

Marco Amoedo
Global Chief Technology Officer, Microsoft Alliance
KPMG International

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[4] *CxO Investment Survey 2023*, SITSI, 2023

Client story

Enhancing healthcare access through cloud enablement

When 43 million people rely on your platform to access their critical health services, you have no room for error.

So when the Government of Andhra Pradesh wanted to modernize the Dr. YSR Aarogyasri Health Assurance Scheme platform, they knew they needed a service provider who could not only help them shift their platform to the cloud, but could do it without disrupting services to the State's 142 million households — many of which are families below the poverty line.

Starting from the ground up, the KPMG in India team worked with the Dr. YSR Aarogyasri Health Care Trust (YSRAHCT) to review their workflows, interfaces and infrastructure, re-engineer their processes and then migrate their existing systems to the cloud — all while maintaining the existing system with rigorous business continuity. The team upgraded the underlying software platform and introduced new analytics tools that would enable earlier detection of public health trends, support budget planning and help identify fraud.

However, the KPMG team also recognized the significance of helping Andhra Pradesh's most remote and underserved citizens with access to high quality services. The team developed a customer-facing mobile application that provided important information on care options with real-time geo-location and wait times. And they created a chatbot that could help hospital administrators navigate the insurance system faster, thereby enhancing patient care.

Today, the Dr. YSR Aarogyasri Health Insurance Scheme platform is fully cloud-enabled and accessible to the State's 41 million health scheme members. For the administrators, that not only means better served customers, it also means better insights, better value and better control over the overall performance of their application suite. With more robust workflows, greater functionality and simplified interfaces, the solution is now ready to continue to flex and evolve as the needs of the health scheme and the State change over the coming years.

> "
> The KPMG in India team's extensive understanding of the healthcare space, combined with their deep knowledge in leading complex cloud transformation projects, gave us the right set of tools and the confidence we needed to drive this project forward. Our scheme has helped tens of millions of people access healthcare services free of cost. KPMG's contributions in achieving this feat are remarkable. "

Shri M.N Harendhira Prasad
CEO of Dr. YSR Aarogyasri Health Care Trust (YSRAHCT)

3

AI-assisted

Unlocking government's technology future

5 action items

01 Set strong guardrails

02 Understand the use cases

03 Integrate with cloud

04 Act responsibly

05 Reimagine the experience

In a very short span of time, Generative AI has moved from hype to doom to expectancy. Everyone now knows it holds the potential to drive immense productivity, experiential and value benefits.
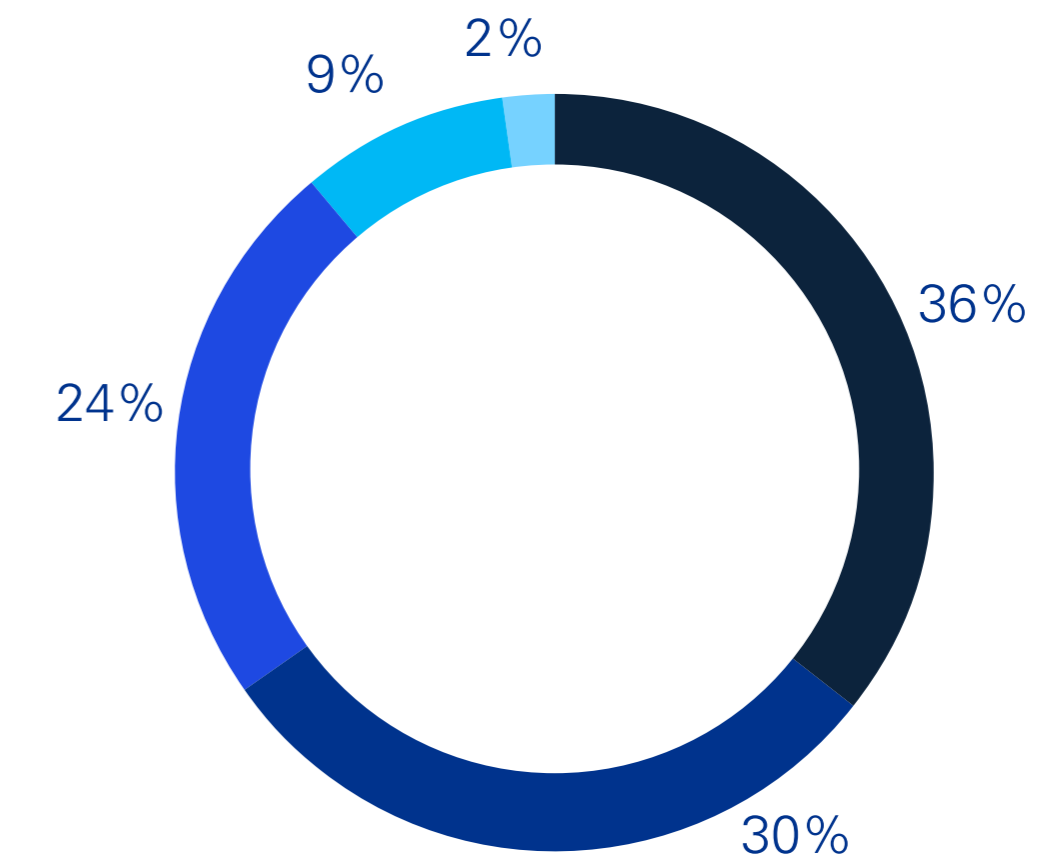
AI is already starting to take a seat in many government departments. Indeed, in our *KPMG GLOBAL TECH REPORT 2024*, 45 percent of government respondents say they are experimenting with AI in controlled groups, and many expect to democratize their approach as they gain experience. Underpinning AI's rapid rise up the agenda, two-thirds of government technology leaders say they expect their organization to invest in AI and automation within the next year.

At the same time, governments must also be the regulator of new technologies like Generative AI. In our *KPMG GLOBAL TECH REPORT 2024*, government leaders were eight percentage points more likely to say they see themselves as risk guardians when it comes to AI

than the overall sample. As such, they will need to be active enablers and adopters of AI solutions while providing the necessary tools and frameworks to guide the responsible development and application of AI solutions for use in a government context.

Trust will also be an important issue for governments. According to Trust in Artificial Intelligence, a global study conducted by KPMG that surveyed more than 17,000 people across 17 countries, just 33 percent of citizens report a high level of confidence in governments' ability to develop and use AI in the best interests of the public.[5] Interestingly, respondents ranked their trust in government below that of their trust in big tech when it comes to developing AI. According to the OECD's most recent *Government at a Glance (2023)* publication, people's trust in national government is equally split between those who trust their national governments and those who do not.[6] Building trust, therefore, will be key.

> " We are at an intersection of two massive transformative waves in the form of cloud and generative AI. Together, they are going to radically change the way that governments deliver services. Governments need to embrace a new way of operating and putting their citizens first if they hope to deliver relevant services into the future. "

Brenda Walker
Global Head of Government
KPMG International

Plans to invest in AI and automation

- Plan to invest in the next 6 months/currently evaluating an investment opportunity
- Plan to invest in the next 6 months to 1 year
- Plan to invest in 1 to 2 years
- Plan to invest in the next 2 to 5 years
- Have already invested but have no plans to invest or explore further
- Haven't yet invested and have no plans to invest or explore further

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[5] *Trust in Artificial Intelligence: A global study*, KPMG in Australia, 2023
[6] *Government at a Glance 2023*, OECD, 30 June 2023

What can governments do to better assess, adapt and adopt Generative AI into their organizations?

Set up robust governance and guardrails. Generative AI is, at once, centralized and decentralized. That makes it very difficult to govern and control. We have been helping governments start the conversation by understanding what use cases should be allowed — using what data — and what should be discouraged. Then we are helping them create robust yet flexible guardrails and governance to manage their risks. Learnings from inside government can also be helpful in developing regulations to govern Generative AI outside of government.

Assess use cases and investment prioritization. Every decision should be made with a clear focus on the business problem you want to solve and the use cases to be addressed. That will require informed prioritization and allocation of finite government investment capacity based on sustained alignment of the business problem, use case, solution profile and evidential quantifiable benefits. At this stage, therefore, most governments are taking the time to understand the various use cases, associated risks and mitigations, and potential value and then prioritizing their efforts accordingly.

Integrate Generative AI into the cloud transformation journey. You simply can't reap the benefits of Generative AI without cloud. That is providing public sector digital executives with a strong business-led impetus for accelerating the cloud transformation journey. We are

helping governments to integrate Generative AI benefits into their cloud transformation business case and work with the wider government ecosystem to unlock Generative AI functionality as their cloud journey progresses. We are also helping them take advantage of the native Generative AI functionality embedded in their existing enterprise solutions to help them accelerate their capabilities.

Be meticulous about building trust and security. The leading governments are placing particular emphasis on understanding the potential for bias and need for cyber resilience in their models and are building appropriate controls and safeguards to mitigate the risks. They are constantly iterating on their approaches and safeguards, drawing on internal and external lessons learned to ensure appropriate judgement mechanisms and controls (such as empowered humans-in-the-loop) are embedded into every AI design, development and investment discussion and decision.

Think about the employee and constituent experience. Generative AI will change the way public sector employees do their work, the way they interact with constituents and the skills they require to execute their responsibilities. As we note in the final section of this report, upskilling and developing the existing workforce will be key. The leaders are also focusing on understanding how Generative AI will impact productivity, where it will enable human capacity to be refocused onto more value-added tasks and where it might influence service delivery.

Which of the following best describe how your company is experimenting with potential AI use cases?

Centralized vs democratized approaches to AI

Democratized experimentation: We have guardrails and AI risk training in place and we encourage our workforce to experiment within those boundaries

34%	24%
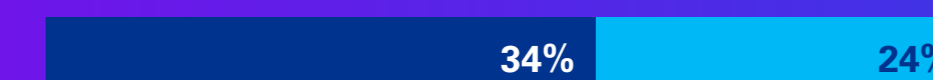
Open collaboration: We have controlled groups of experimentation or AI centers of excellence featuring employees from every department across our business

40%	45%

Selective collaboration: Our dedicated AI team invites consultation from employees in different departments, and decides on which ones to pursue

19%	25%

Top-down experimentation: We have heavy constraints around AI use. Authorized AI use cases are being rolled out by our AI/IT team and employees are prohibited from using AI for anything else

6%	3%
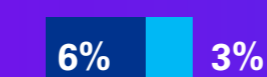
We are not experimenting with AI yet

3%

■ Average across all sectors   ■ Government

Source: KPMG global tech report 2024

Client story

City of Amsterdam — Responsible AI for a smart city

The City of Amsterdam is one of the first cities in Europe to recognize the potential of artificial intelligence (AI) in transforming its delivery of municipal services to residents. With their 'smart' city agenda, they commit that every citizen should benefit from AI in a way that respects and protects citizens' digital rights such as privacy, safeguarding personal data and helping ensure transparency.

This is an important debate in AI. Machine learning drives massive advances in performance, but automated 'self-learning' algorithms need to be transparent, responsible and explainable. Without proper governance, AI can easily lead to bad decisions, unintended consequences and loss of public trust.

KPMG in the Netherlands worked with the City of Amsterdam and partners in academia, commerce and the community to bridge the trust gap. KPMG's 'AI In Control' methodology framework helped identify the risks inherent in the design and delivery of machine learning algorithms; we developed the 'AI In Control' governance framework to enable responsible AI innovation. The ROI goes beyond any single application: this is about a safe space for progress, in which AI and emerging technologies serve productive, sustainable and responsible societies.

4

Citizen-centric

5 action items →

01 Let citizens decide

02 Expand solutions

03 Decouple data

04 Manage the legacy channels

05 Prioritize trust

Constituents and citizens want seamless, integrated government services. And many governments are striving to meet that demand.

In Singapore, Singpass acts as a single window to access over 2,700 services across more than 800 government agencies and businesses — a one-stop-shop for government services.[7] Saudi Arabia has Absher, a platform through which the government provides e-services to its citizens and constituents.[8] And more than 1.3 billion people have access to India's myAadhaar portal, which brings together banking data, vehicle and land registrations, old age pensions, welfare programs and public health insurance, and so on.

Yet, for the vast majority of the world's citizens, interacting with government remains a fragmented, manual, slow and often error-prone process. Indeed, peek behind most of the slick government front ends and portals available today and you will likely find woefully outdated back-end systems running on paper-based processes and excel sheets. Data is siloed. Beyond the first click, citizen interactions remain fragmented. Expectations are missed.

Citizen expectations and needs are certainly top of mind for government executives. In the KPMG global tech report, 69 percent of government respondents say that they consider the needs of their customers (sic. citizens), employees and stakeholders when making decisions. And 74 percent agree that customer sentiment influences their technology investment decisions.

The good news is that 82 percent of government respondents say they are confident in their ability to quantitatively measure the customer-centric value being generated by their investments — more than their financial metrics or their growth and innovation goals.

In their Predictions 2024: Public Sector and Government report, Forrester predicts that 30 percent of government tech spending will target cross-departmental customer experience.[9] Our view suggests the most successful governments will be those who place a singular focus on the constituent and citizen. They are willing to break down governmental silos, integrate systems and reimagine their processes to give citizens the experiences they expect. Rather than working together to fulfil their departmental objectives, they are working as one team to fulfil their citizens' objectives. They are striving to transform the way they work in terms of efficiency and effectiveness. They are embracing new technologies to help them get there.

69%

of government tech leaders say they consider the needs of citizens, employees and stakeholders when making decisions.

Source: 2024 global tech survey

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[7] https://www.singpass.gov.sg/main
[8] About Absher
[9] *Predictions 2024: Public Sector And Government*, Forrester, 1 November 2023

You said you utilized the following metrics. For each metric, please indicate how confident you are in your company's ability to quantitatively measure the value being generated by your technologies? Those answering confident:
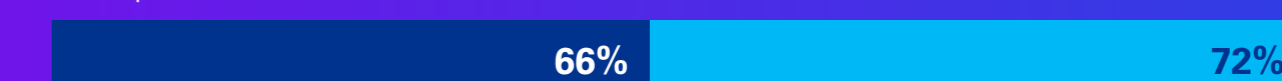
Confidence in value metrics

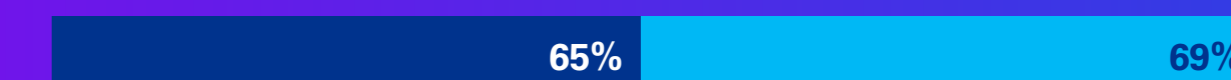Customer-centric metrics: customer satisfaction/customer-base growth
- 69% | 82%

Financial metrics: revenue/profitability, cost to serve, IT total cost of ownership per user
- 71% | 78%

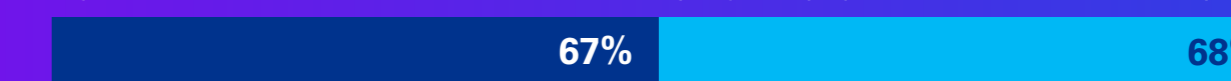Business growth and innovation metrics: e.g new business development, new product/services
- 66% | 72%

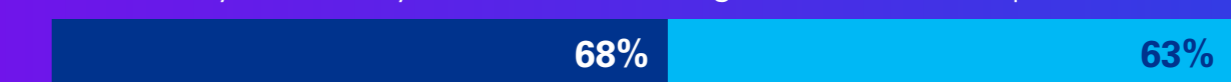Employee metrics: productivity, satisfaction
- 65% | 69%

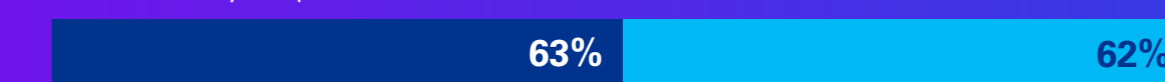Environmental goals: energy efficiency/carbon footprint reduction
- 66% | 69%

Operational metrics: service availability, quality, performance, reliability
- 67% | 68%

Risk and cybersecurity related metrics: e.g. failure rate, compliance violation incidents
- 68% | 63%

Community impact metrics
- 63% | 62%

Brand reputation metrics
- 69% | 58%

■ Average across all sectors   ■ Government

Source: KPMG global tech report 2024

Based on our work with governments around the world, here are some ideas to help governments put citizens and constituents at the heart of service delivery.

Integrate users into the decision-making process. We are seeing government bring citizens into the decision-making process directly as citizen designers, developers and testers. Others are using data and analytics to truly understand the voice of their customers, their needs and expectations. They are using design thinking and user-centered design approaches to help solve citizen problems and improve access to government services. They are also working to add an outside-in view to their decision-making processes to ensure they remain focused on constituent outcomes.

Expand their citizen-centric solutions. In Singapore, India and Saudi Arabia, the success of the digital ID system was related to smart and timely scaling. As citizens became more comfortable with the system, more and more government services were added, as well as integrated private sector functionality (like payments and banking), and the systems moved into other higher-value services like healthcare. The key was to create a digital ID system that delivered value, that people could trust and had good reason to use.

Decouple the data from the agencies. The leading governments are working to attach data to citizens rather than to agencies and departments. That not only allows citizens to easily access the data that is relevant to them, but it also gives them control over who sees their data and for what purposes. Digital IDs — and the ability to place

data into the associated wallet — is a key enabler to citizen-centric data models. Yet even without digital IDs, most governments could be investing more into tools and techniques to integrate data across departments and agencies.

Balance the need for legacy channels. There are many segments of society who would prefer to speak to a service agent and take comfort in having a piece of plastic identification in their wallets. The leading governments are working to upskill their citizens in community service centers and through subsidized training programs. They are also focused on enhancing public sector omnichannel design, investment and deployment capabilities to ensure they are investing into and resourcing the appropriate channels at the right times to ensure all of society is given equal access. As the UN's most recent E-Government Survey notes, "Very few countries show evidence of

having engaged in online consultations involving vulnerable groups, and even fewer countries have evidence showing that user input has been considered or incorporated in policy decisions on issues relating to vulnerable groups."[10] This will need to be addressed if technology and modernization is to unlock value for all citizens.

Deliver trusted, legal and resilient services. Trust is paramount to driving acceptance and adoption. The challenge and opportunity for government is in providing the planning and investment to anticipate such events, recover from them rapidly, learn and improve, and de-risk potential impacts on citizens, business and government entities. The leading governments have prioritized their governance and controls mechanisms, as well as their cyber security defenses and frameworks, with a focus on building citizen trust and ensuring resilience.

India's digital public goods

India has been on a digital transformation journey for over a decade, driven by population-scale Digital Public Infrastructure (DPI). Underneath this infrastructure lie building blocks — Digital Public Goods — that are open-source, modular, configurable and extendable. These are highly scalable systems that can scale for entire country populations and provide digital public services for essential society-wide functions. India's success deploying Digital Public Goods at a national scale has helped the country achieve significant value in areas such as health, education and urban governance.

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[10] *E-Government Survey 2022: The Future of Digital Government*, United Nations Department of Economic and Social Affairs, 2022

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In today's world, the location of both the beneficiary and a public service provider is less relevant for a digital user, and for both parties, centralizing digital policies and strategies at a national level have many merits. That said, protecting constituent data through secure identification authentication and data use legislation will be necessary to build trust in such new digital government architecture. "

Ismail Alani
Partner, Government & Public Sector
KPMG in Saudi Arabia

Client Story

UK Department of Transport: Driving the future of bus services

The UK's Department of Transport wanted to tap into the unrealized potential of England's bus services by collating information on services, fares and real-time locations for passengers. KPMG led the delivery of the entire project, from design and testing to deployment and implementation — all while meeting strict Government Digital Service standards and adhering to legislative requirements.

The resulting Bus Open Data Service (BODS) provides real-time, accurate passenger information on services, fares and bus location to encourage the use of buses and to save passengers time and money. Economic benefits will flow from companies innovating with the open data to build apps and solutions, creating high value jobs, while passengers will save time and money on their journeys, leading to efficiency savings and increased productivity.

BODS has the potential to enable Mobility-as-a-Service (MaaS) journey planning, enabling improved modelling across different types of public transport provision, while the valuable insights generated from the data can help policymakers in determining how to increase public transport use and reduce carbon emissions.

5

People-empowered

5 action items

01 Assess your needs

02 Partner for capabilities

03 Rethink the culture

04 Update your operating models

05 Double down on talent

People need technology and technology needs people. In part, this is about skills and capabilities — transformation requires new and adapted skills at the leadership level and at the workforce level to deliver and sustain progress. Yet it is also about culture — successful transformation requires people to be engaged, supportive and agile — not just employees, but citizens and constituents, too.

All the while, a war for talent is raging. Attracting the best and brightest to work in the public sector has always been a challenge. Now governments also need to compete for new skills and capabilities in a very tight talent marketplace. Indeed, two-thirds of the government respondents to the KPMG global tech survey say they have great ideas

around how they would like to digitally transform, but don't have access to the talent they need to bring their plans to life. New incentives, attraction and retention strategies will be critical.

Upskilling and development will also be key. Nearly three-quarters of government leaders say they are prioritizing the training of employees and executives in digital skills, according to the Forrester Opportunity Snapshot.[11] A robust learning program is not only important for skills development but also for talent attraction. According to Future of work, a recent KPMG survey of more than 4,000 workers globally, 62 percent say an organization's investment into upskilling influences their decision to join, leave or stay.[12]

66%

of government tech leaders say they have great ideas around how they would like to digitally transform, but don't have access to the talent they need to bring these plans to life.

Source: KPMG global tech report 2024

> "We're seeing several governments create programs aimed at upskilling employees and citizens around cyber and digital skills. The Singapore government has the SkillsFuture initiative. The US has the Federal Cyber Defense Skilling Academy that is really showing success. At KPMG, we're working with universities to create a micro-credential program aimed at public sector organizations."

Prateek Mehra
Global Alliance Lead, Infrastructure
Government and Healthcare

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[11] *Accelerate public sector digital transformation*, Forrester Opportunity Snapshot commissioned by KPMG LLP, February 2024
[12] *Future of work*, KPMG International, 2023

At the same time, new ways of working will be required, particularly as Generative AI enters the workforce and starts to help bridge the knowledge worker gap. Already, more than two-thirds of government respondents to the KPMG global tech survey say they are using AI to fill skill gaps. However, further progress may be hampered by (ironically) a lack of AI skills. According to Forrester's *Predictions 2024: Public Sector and Government* report, skills deficits will thwart half of government efforts to address talent shortages with AI.[13]

Against this backdrop, KPMG's network of professionals is helping governments to develop and manage their workforce and organizational strategy as an integrated part of their transformation journey. What lessons can we take from their experience?

Assess skills and capability gaps. As governments become more constituent-centric, digital and AI-enabled, they will require employees with a mix of new skills, capabilities and mind-sets. 'Hard' digital skills and program management capabilities will be required. But so, too, will softer skills such as empathy, business partnering, communication and creativity. The leading governments are continuously assessing prevailing market talent trends, understanding their capability and skill requirements — today and out into the future — and then working collaboratively across agencies to create workforce strategies to fill their gaps.

Partner for capabilities and capacity. Government leaders increasingly recognize they don't need to replicate what already exists in industry. But they do need support to build the capabilities they require in-house to drive and sustain digital transformation. They are using AI and partnering with cloud service providers and hyperscalers, technology providers and systems integrators, technology consultants and advisors to bridge existing gaps, transfer knowledge and institutionalize new ways of working. And they are working with learning solutions providers to ensure their workforce has access to the right tools and insights to drive continuous development.

Focus on change management and culture. The success or failure of any transformation program rests on the willingness of employees to adapt to change, which requires sophisticated and thoughtful change management to ensure employees are coming along for the journey and learning the right skills to keep them engaged. But it's also about updating the government culture (and any agency and function sub-cultures) to encourage greater agility, resilience, innovation and customer-centricity. Much like with constituents, bringing employees into the decision-making process can help build significant trust and engagement.

Update operating models and ways of working. As Generative AI comes into the workplace, hybrid working becomes the norm and collaboration and integration become the default, the leading governments are reexamining their operating models and organizational structures to ensure they are giving their employees the best environment in which to succeed and thrive. In some cases, governments are reorganizing their support functions and centers of excellence into more nimble, focused and outcomes-oriented organizations. Others are restructuring their roles and responsibilities to better empower frontline workers and middle managers to make decisions.

Competing in the war for talent. The leading government organizations are attracting talent by offering meaningful, digital and service-oriented opportunities to skilled workers. Strategic partnerships can help address gaps. We are seeing more agencies engage with educational institutions to align on talent training. Interagency rotational programs that encourage upskilling are another option to develop talent. Retention is also a key topic for the leading governments, and many are exploring how they can enhance the employee experience and provide opportunities to ensure they retain the type of talent they need going forward.

To what extent do you agree or disagree with the following statements in light of how AI is impacting your workforce?

AI is helping us fill skill gaps among knowledge workers that had previously been a major challenge for my organization

73% Average across all sectors

68% Government

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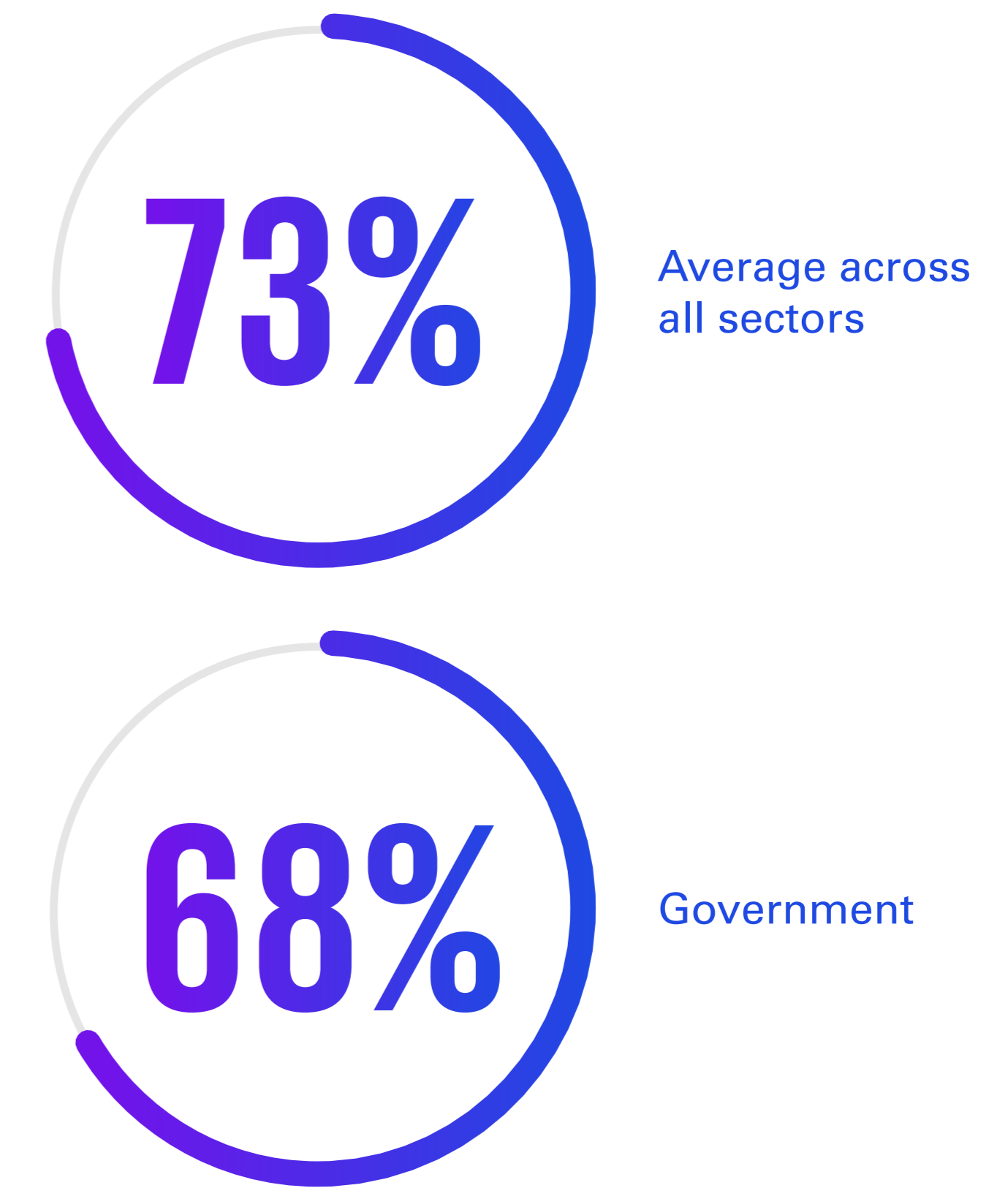
[13] *Predictions 2024: Public Sector And Government,* Forrester, 1 November 2023

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Ultimately, transformation often comes down to talent and culture. It's people that really unlock the value of technology. And it takes talent to redesign interactions, processes and organizations in ways that drive value for constituents. Governments need to be getting the talent equation right if they want to catalyze and sustain a technology transformation. "

Brenda Walker
Global Head of Government
KPMG International

Client Story

UK Home Office: Taking home office HR to new heights

Playing a fundamental role in the security and economic prosperity of the UK, the Home Office is the lead UK government department for immigration and passports, drugs policy, crime, fire, counterterrorism and police.

To support the Home Office People Strategy, help improve performance management across its 35,000-strong workforce and equip its HR operations with better processes, efficiencies and automation, the Home Office embarked on a transformation program to move from on-premise legacy technology to an advanced cloud-based Enterprise Resource Planning (ERP) system using Oracle Fusion.

To make this transformation happen as successfully as possible, the Home Office engaged KPMG in the UK to help improve business readiness and to design, plan and implement a transformed approach using KPMG Powered Enterprise | HR for government and public sector enabled by Oracle.

Being able to rely on tried, tested and trusted methodologies allowed the team to draw on leading practice experience that meant better focus on driving benefits, better management of risk and increased engagement with stakeholders and users.

Drivers of the program's success included the co-design and co-production of learning materials to engage teams in their ownership of the change. An enhanced approach to workforce planning also gave Home Office leaders a clearer picture of how their resources are deployed.

Building on the success of the HR implementation, KPMG in the UK supported the design, development, and implementation of a new performance management model. The Home Office HR function has now built a sustainable platform for the future and has a foundation for future success that other departments can learn from.

5 key takeaways for public sector executives

If you are like most government and public sector executives or mission leaders, you are probably making strong progress on your digital agenda. But are you achieving the outcomes you want and your citizens desire?

Here are five takeaways — based on the findings of this report — to help you unlock value and accelerate their digital transformation journey.

1 **Modernized methods**

You may need to become much more agile, collaborative and people-oriented in your approach to modernization. Consider building transformation capabilities that help achieve incremental progress towards modernization while simultaneously developing the capabilities you require to sustain your future operating and service models.

2 **Cloud-enabled**

Having already migrated large proportions of your workloads to cloud-based solutions, explore how cloud technologies and enablement can unlock new opportunities and ambitions. Rethink your workflows and processes, and partner with hyperscalers and cloud service providers to drive innovation and service quality.
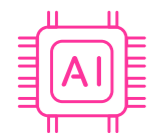
3 **AI-assisted**

Create robust AI governance and guardrails — with a keen focus on building trust. Learn from and apply the lessons of others and look to scale up through the democratization of capabilities. Put careful thinking into understanding how AI will influence the employee and citizen experience.

4 **Citizen-centric**

Place a singular focus on the constituent and citizen. You may need to break down governmental silos, integrate systems and reimagine your processes to give citizens the experiences they expect. Consider how to integrate users into the decision-making process, expand customer-centric solutions and reassess the data strategy — while delivering a seamless experience across legacy channels.

5 **People-empowered**

Focus on setting and managing your workforce and people strategy as an integrated part of your transformation journey. In part, that means focusing on hiring, retaining and retraining people, while also partnering for key or scarce capabilities. It also means redesigning operating models and ways of working to adapt to new service models and processes.

Ultimately, each government needs to define its own journey to modernization based on its unique objectives, capabilities and citizen expectations. By embracing these five key takeaways, governments can accelerate their digital transformation efforts and deliver greater value for citizens and employees.

> Understanding that 76 percent of FEDERAL FINANCE professionals believe the pace of transformation is too slow shows there is a significant opportunity for leveraging technology — such as advanced analytics, AI and cloud-based solutions — to enhance the finance function within the federal government.

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